COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP
Form 6-K
April 30, 2012

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 OF THE SECURITIES EXCHANGE ACT OF 1934

For April 11, 2012
(Commission File No. 1-31317)

Companhia de Saneamento Básico do Estado de São Paulo - SABESP
(Exact name of registrant as specified in its charter)

Basic Sanitation Company of the State of Sao Paulo - SABESP

(Translation of Registrant's name into English)

Rua Costa Carvalho, 300
São Paulo, S.P., 05429-900
Federative Republic of Brazil
(Address of Registrant's principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ___X___ Form 40-F ______
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)__.
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7)__.
Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ______ No ___X___

If "Yes" is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b):

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

Financial Statements as of December 31, 2011 and 2010

Table of Contents of the 2011 Financial Statements

Independent auditor's report

To the Management and Shareholders
Companhia de Saneamento Básico do
Estado de São Paulo - SABESP

We have audited the accompanying financial statements of Companhia de Saneamento Básico do Estado de São Paulo - SABESP ("Company" or "Parent company"), which comprise the balance sheet as at December 31, 2011 and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Companhia de Saneamento Básico do Estado de São Paulo - SABESP and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2011 and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Companhia de Saneamento Básico do Estado de São Paulo - SABESP as at December 31, 2011, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Companhia de Saneamento Básico do Estado de São Paulo - SABESP and its subsidiaries as at December 31, 2011, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in Note 2 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Companhia de Saneamento Básico do Estado de São Paulo - SABESP, these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in jointly-controlled subsidiaries based on equity accounting, while IFRS requires measurement based on cost or fair value. Our opinion is not qualified in respect of this matter.

Other matters

**Supplementary information -
statements of value added**

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2011 prepared by management, the presentation of which is required by the Brazilian corporate legislation for listed companies, but is considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

São Paulo, March 23, 2012

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Valdir Renato Coscodai
Contador CRC 1SP149262/O-6

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

Management Report

MESSAGE FROM CEO

It is not possible talking about civilization without mentioning basic sanitation, which is human being s basic right and condition necessary so that the environment and natural resources are not fated to exhaustion. In this regard, supply water, collect and treat sewage is an activity intrinsically connected with sustainability. One cannot live without the other.

A company like Sabesp everyday deals with sustainability in all its dimensions. We are socially responsible for providing a service whose effects over recipient s life quality and health conditions are direct and immediate. We are environmentally involved in the conservation of springs, recovery of water resources and rivers, stream and ocean depollution. We are committed to the financial strength of a business whose maturation is naturally lengthy and costs should necessarily low.

Sabesp s commitment to sustainability precepts is already recognized by society. This is the result of a culture that has been built up in our employees daily activities, our service providers, in the quality which is increasingly required from our suppliers, but sustainability does not mean the final destination, it is a direction to be sought towards a future much better than present time.

Therefore, when preparing this report, we were concerned with broadening the limits of boundaries. We enhanced the dimension of the information disclosed, we sought to improve the quality of the information that has already been published, we acknowledge our weaknesses when and where they can be noticed. We are committed to transparency, common good and respect for our stakeholders.

I understand that our mission of supplying sanitation to over 27.6 million people only is successful if grounded in fundamental principles: transparency, good management and technology. Sabesp has been able to fulfill this mission, efficiently on a solid, dynamic, innovative and sustainable basis in financial, environmental and social terms.

Sustainable development cannot be better translated than a sewage treatment station capable of effectively operating over its 50 years of useful life, at lower cost, with greater service scope, taking most advantage of natural resources and with a minimum impact on the environment. This means sustainability.

Sabesp is also committed to the universalization of sanitation services in formal areas where we operate by the end of this decade. Therefore, the company foresees to maintain the average of investments recorded in the past years, i.e., approximately R$ 2 billion.

Based on these principles, Sabesp obtained relevant results in the expansion of water and sewage services in 2011. In both cases, the number of new connections was the highest over the last 12 years. By the end of this decade, we plan to make another 1.6 million new water connections and nearly 2.3 million sewage connections in order to materialize our target of universalizing sanitation services in our marketplace.

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

Management Report

All six performance targets outlined for our organization in 2011 have been achieved. We consider the performance satisfactory, without mentioning that, although our business strategy kept its direction, 2011 was a year of changes in our Management, we exchanged four of six members of our Board of Executive Officers. In our opinion, our performance in new businesses is still far from our plans but it is possible to move forward.

The commitment of universalizing water supply, sewage collection and treatment services by the end of this decade is one of the most privileged and challenging commitments that a company could have. Sabesp has the privilege of, in each of its small to relevant actions, collaborating to a better people s life, a healthier environment, so that society is economically more developed and socially fairer.

Dilma Pena

Chief Executive Officer of Sabesp

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

Management Report

Profile

Sabesp is a mixed-capital company with limited liability that operates in the sanitation sector, whose majority shareholder is the São Paulo State Government. Its common shares are traded on the *Novo Mercado* (New Market) segment of the Securities, Commodities and Futures Exchange of São Paulo (BM&FBovespa), under the ticker SBSP3, and as American Depositary Receipts (ADR level III) at New York Stock Exchange (NYSE), under the ticker SBS.

Founded in 1973, Sabesp is the largest sanitation company of the Americas and the world s fourth largest company in terms of population served, according to the 13rd edition (2011-2012) of the Pinsent Masons Water Yearbook. The Company s head offices are located in the City and State of São Paulo.

In addition to providing water and sewage services in the State of São Paulo, Sabesp is also accredited to operate in other states and countries, and may also operate in the drainage and city cleaning segments, handling of solid waste and energy.

We directly operate sanitation services in 363 municipalities of the State of São Paulo in 2011, the municipality of Macatuba is no longer our operated base and we supply water on the wholesale basis to other seven municipalities, among which five also utilize our sewage treatment services. Total population supplied with water by Sabesp reaches 27.6 million people (3.5 million referring to wholesale, 200,000 in partnership and 23.9 million directly by the company), which accounts for approximately 70% of the urban population of the State of São Paulo.

In addition, we also provide water and sewage services in other three municipalities of the State of São Paulo, through special purpose entities (SPE) organized with private companies, namely: Águas de Castilho S.A. and Águas de Andradina S.A., in partnership with CAB Ambiental; Saneaqua Mairinque S.A., jointly with Foz do Brasil. In the city of Mogi Mirim, in partnership with OHL Meio Ambiente and Etep, we are in charge of the modernization, implementation and management of sewage treatment system also through a SPE.

We also provide consulting services in the water rational use, business and operating management in Panamá and Honduras through a consortium signed with Latin Consult. In addition, we maintain partnerships with sanitation concessionaires of the states of Alagoas (Casal) and Espírito Santo (Cesan).

Sabesp s mission is to provide sanitation services, contributing to improve life quality and environment . Our vision of the future foresees to be recognized in 2018 as the company that ensured universal access to water and sewage services in its marketplace, in a sustainable and competitive manner, with excellence in costumer service .

Despite the dimension of the challenge, the company is well positioned to achieve its objective, with sustainability and profitability. We understand that most of level of investments required is already equalized to fulfill our investment plan. Nevertheless, we continue working hard in raising funds, mainly at lower costs, compatible with sanitation activity, in order to deal with investments necessary to expand our services.

In order to achieve the objective of universalizing services in 2011, the Company reformulated its strategic guidelines: growth with economic and financial sustainability; social and environmental sustainability; universalization and quality; proactive behavior in relationships; integration and innovation; and human capital as competitive force. The new cycle of strategic planning covers the period between 2011 and 2020.

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

Management Report

The Company s commitment to a sustainable and responsible universalization of water and sewage services in its marketplace by the end of this decade is reflected in the financial strategy and social and environmental actions outlined herein.

Table of indicators

Indicators	Unit	2011	2010	2009	2008	2007
Services						
Water service ratio		Trend to Univesalization (1)				
Sewage collection service ratio	%	82	81	80	79	79
Collected sewage treatment ratio (2)	%	76	75	74	72	66
Resident population serviced with water supply	thousand inhabitants	23,911	23,625	23,363	23,162	22,959
Resident population serviced with sewage collection	thousand inhabitants	20,498	20,024	19,600	19,198	18,881
Operational						
Water connections	thousand units	7,481	7,295	7,118	6,945	6,767
Sewage connections	thousand units	5,921	5,718	5,520	5,336	5,167
Water losses	%	25.6	26.0	26.0	27.9	29.5
Water produced volume	million m³	2,992	2,952	2,845	2,853	2,874
Water billed volume at wholesale	million m³	297	293	288	285	274
Water billed volume at retail	million m³	1,747	1,699	1,630	1,596	1,573
Sewage billed volume	million m³	1,486	1,434	1,373	1,330	1,300
Headcount (3)		14,896	15,330	15,103	16,649	16,850
Operational productivity	connection/employee	900	849	837	738	708
Financial (4)						
Net revenues	R$ million	9,941.6	9,231.0	8,579.5	7,809.3	5,970.8
EBITDA (5)	R$ million	3,213.4	3,222.5	2,727.0	2,865.0	2,698.9
EBITDA margin	%	32.4	34.9	31.8	36.7	45.2
Results (Net income/Loss)	R$ million	1,223.4	1,630.4	1,507.7	862.9	1,055.3

(1) 99% or more

(2) Due to methodological reasons, it includes a margin variation of more or less 2 percentage points

(3) headcount includes own employees, excluding those transferred to other bodies

(4) Calculated as of 2008 according to CPCs/IFRS

Summary of Targets

The Company fully achieved six performance targets defined in 2011 that guided the concession of salary benefits established in the Profit Sharing Plan (PPR).

Water supply was maintained in a level we may consider as being universalized in our marketplace. New connections of this service followed the vegetative growth of the areas covered by the company and business. Even so, they reached the second largest record over the last 12 years in 2011.

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Companhia de Saneamento Básico do Estado de São Paulo - SABESP

Management Report

The sewage collection and treatment continue growing as projected. It is worth mentioning that in 2011, we achieved the best results over the last 12 years in relation to the number of new sewage connections.

Indicators	Unit	Target	Achieved
EBITDA margin (1)	%	43.3	43.4
Customer satisfaction index	%	80.0	92.0
Number of new water connections	thousand units	143.5	207.9
Number of new sewage connections	thousand units	195.0	246.4
Water billing loss ratio	%	25.7	25.6
Sewage treatment actions (2)			
Number of sewage treatment stations delivered	units	12	12
(includes pre operation)			
Number of authorizations of services issued to start	units	21	22
sewage treatment stations works			

(1) calculated by method prior to the effictiveness of CPCs/IFRS
(2) The target is composed of two actions, so that to reflect with greater accuracy the company's efforts to expand sewage treatment systems

Referring to loss ratio, the result achieved in the year follows the trend outlined by the Company for the next eight years. The target is to reduce the percentage to 13% by 2019, although this ratio may change in 2012. The volume saved in 2011, with the reduction of total losses from 26% to 25.6%, is sufficient to supply 23,000 people without using new springs, neither additional investments in water reservation and production. It is worth mentioning that the indicator has been systematically going down since 2004, when it stood at 34%.

The Company also maintained a high level of customer s satisfaction, reinforced both by the percentage of 92% measured by opinion polls conducted with 5,860 users, and the fact that Sabesp has been not included in the ranking of companies with the highest number of complaints at Procon (Oversight Board of Consumer Protection and Defense) since March 2010.

BUSINESS MANAGEMENT

Sabesp keeps its pace of investments in order to achieve its target by the end of this decade, providing services to all city domiciles served by the Company.

In 2011, we invested R$2.4 billion, including investments in public-private partnerships (PPP) amounting to R$121.4 million. The utilization of this financing model allows the company to accelerate and optimize the bidding process of works and services and have access to public resources outside the government contingency, speeding up the execution of investment plan.

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

Management Report

Investments Track Record [1] **(current R$ million)**

Investments Made in 2011 by region (current R$ million)

	Water	Sewage	Total
Metropolitan Region of São Paulo	633.2	697.8	1,331.0
Regional System (inland and cost)	502.2	607.0	1,109.2
Total	1,135.4	1,304.8	2,440.2

2011 excluding financial commitments assumed in program contracts (R$139 milion)

Water supply kept the trend to universalization in urban areas. In 2011, we achieved the second largest expansion over the last 12 years: 208,000 new connections. The result is important to ensure safe supply, supported by spring recovery and conservation actions, incentive to reduce consumption and decrease water losses. At the end of 2011 the company supplied approximately 23.9 million people directly, which added to the population of municipalities served on wholesale basis and those operated in private partnerships, amounted to 27.6 million.

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

Management Report

As far as sewage collection services are concerned, 246,000 new connections were made in 2011, the second best result since 1997. The collection ratio was up 82% and treatment reached 76% of collected volume. Approximately 20.5 million people are currently serviced by collection networks, while the company treats the sewage volume generated by 14.9 million people.

In 2011, six new municipalities also had universalized sewage services, summing up 147 municipalities.

New water and sewage connections executed and population benefited in 2011

		RMSP	Regional Systems (Inland and Coast)	Total
Water	Number of new connections (1)	123.5	84.4	207.9
	Population serviced (2)	360	210	570
Sewage	Number of new connections (1)	126.0	120.4	246.4
	Population serviced (2)	510	370	880

(1) in thousands of units
(2) in thousands of inhabitants

Target Plan (2011-2019)

	Achieved	Targets (1)					
	2011	2011	2012	2013	2014	2015	2019
Water supply				**Trend to universalization**			
Sewage collection (%)	**82.3**	**82.5**	**83**	**84**	**85**	**86**	**95**
Collected sewage treatment (%)	**75.8**	**79.5**	**77**	**78**	**80**	**82**	**95**
New water connections (thousand)	**207.9**	**143.5**	**159**	**161**	**160**	**156**	**635** (2)
Sew sewage connections (thousand)	**246.4**	**168.7** (3)	**207**	**212**	**231**	**236**	**996** (2)
Water losses (%)	**25.6**	**25.7**	**25.3**	**23.5**	**21.7**	**19.9**	**13.1**

(1) Targets shall be adjusted with the conclusion of the 2011/2012 planning cycle and 2010 Census of IBGE
(2) Accumulated target 2016/2019
(3) For 2011, the target of sewage

INVESTING IN THE NOTES IS NOT THE SAME AS INVESTING IN THE UNDERLYINGS — The return on the notes may not reflect the return you would have realized if you had directly invested in the Underlyings. For instance, your return on the notes will be limited to the call premium and the Digital Return regardless of any increase in the price of either Underlying, which could be significant.

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IF THE PRICES OF THE UNDERLYINGS CHANGE, THE VALUE OF YOUR NOTES MAY NOT CHANGE IN THE SAME MANNER — Your notes may trade quite differently from the prices of the Underlyings. Changes in the prices of the Underlyings may not result in comparable changes in the value of your notes.

- **NO DIVIDEND PAYMENTS OR VOTING RIGHTS** — As a holder of the notes, you will not have any voting rights or rights to receive cash dividends or other distributions or other rights that holders of the Underlyings would have.

- **YOUR INVESTMENT IS EXPOSED TO A DECLINE IN THE PRICE OF EACH UNDERLYING** — Your return on the notes, if any, is not linked to a basket consisting of the Underlyings. Rather, any payment on the notes will be determined by reference to the performance of *each* individual Underlying. Unlike an instrument with a return linked to a basket, in which risk is mitigated and diversified among all of the basket components, you will be exposed equally to the risks related to each Underlying and your return will be based on the lesser performing of the Underlyings, as measured on the Review Date and the Averaging Dates. Poor performance by either Underlying over the term of the notes may adversely affect your return on the notes and will not be offset or mitigated by any positive performance by the other Underlying.

- **BECAUSE THE NOTES ARE LINKED TO THE LESSER PERFORMING OF THE TWO UNDERLYINGS, YOU ARE EXPOSED TO A GREATER RISK OF LOSING A SIGNIFICANT PORTION OR ALL OF YOUR INVESTMENT THAN IF THE NOTES WERE LINKED TO JUST ONE UNDERLYING** — The risk that you will lose a significant portion or all of your investment in the notes is greater than in substantially similar securities that are linked to the performance of just one of the Underlyings. With two Underlyings, it is more likely that the notes will not be automatically called and the Final Price of at least one

Underlying will be less than its Trigger Price than if the notes were linked to only one Underlying, and therefore, it is more likely that you will receive a Payment at Maturity that is significantly less than your investment. In addition, the performance of the Underlyings may not be correlated. If the performance of the Underlyings is not correlated, or is negatively correlated, the potential for the notes not being automatically called and the Final Price of at least one Underlying to be less than its Trigger Price is even greater. Although the correlation of the Underlyings' performance may change over the term of the notes, the call premium, Digital Return and Trigger Prices are determined, in part, based on the correlation of the Underlyings' performance at the time when the terms of the notes are finalized. A higher Digital Return/call premium or lower Trigger Price for an Underlying is generally associated with a lower correlation of the Underlyings, which reflects a greater potential for loss on your investment at maturity.

- **ANTI-DILUTION PROTECTION IS LIMITED AND THE CALCULATION AGENT MAY MAKE ADJUSTMENTS IN ADDITION TO, OR THAT DIFFER FROM, THOSE SET FORTH IN THE ACCOMPANYING PRODUCT SUPPLEMENT** — For each Underlying, the calculation agent will make adjustments to the relevant Stock Adjustment Factor, which will initially be set at 1.0, for certain corporate events affecting such Underlying. The calculation agent is not required, however, to make such adjustments in response to all corporate events that could affect the Underlyings, including if the issuer of an Underlying or another party makes a partial tender or partial exchange offer for such Underlying. If such an event occurs that does not require the calculation agent to make an adjustment, the value of the notes may be materially and adversely affected. In addition, you should be aware that the calculation agent may, at its sole discretion, make adjustments to each Stock Adjustment Factor or any other terms of the notes that are in addition to, or that differ from, those described in the accompanying product supplement to reflect changes occurring in relation to the relevant Underlying or any other security received in a reorganization event in circumstances where the calculation agent determines that it is appropriate to reflect those changes to ensure an equitable result. Any alterations to the specified anti-dilution adjustments for an Underlying or any other security received in a reorganization event described in the accompanying product supplement may be materially adverse to investors in the notes. You should read "Description of Securities — Anti-Dilution Adjustments for Reference Stock" in the accompanying product supplement in order to understand the adjustments that may be made to the notes.

- **THERE IS NO AFFILIATION BETWEEN THE ISSUERS OF THE UNDERLYINGS AND US AND WE HAVE NOT PARTICIPATED IN THE PREPARATION OF, OR VERIFIED, ANY INFORMATION ABOUT THE UNDERLYINGS OR THE ISSUERS OF THE UNDERLYINGS** — We are not affiliated with the issuers of the Underlyings. However, we or our affiliates may currently, or from time to time in the future, engage in business with the issuers of the Underlyings, including extending loans to, making equity investments in, acting as underwriter in connection with future offerings of the Underlyings by, or providing advisory services (including merger and acquisition advisory services) to, such issuers. In the course of this business, we or our affiliates may acquire non-public information about the issuers of the Underlyings, and we will not disclose any such information to you. Nevertheless, neither we nor our affiliates have participated in the preparation of, or verified, any information about the Underlyings or the issuers of the Underlyings. You, as an investor in the notes, should make your own investigation into the Underlyings and the issuers of the Underlyings. The issuers of the Underlyings are not involved in this offering in any way and none of them has any obligation of any sort with respect to your notes. The issuers of the Underlyings do not have any obligation to take your interests into consideration for any reason, including when taking any corporate actions that would require the calculation agent to adjust the Stock Adjustment Factor for any Underlying, which may adversely affect the value of your notes.

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PAST PERFORMANCE OF THE UNDERLYINGS IS NO GUIDE TO FUTURE PERFORMANCE — The actual performance of the Underlyings over the term of the notes may bear little relation to the historical closing prices of the Underlyings and/or the hypothetical examples set forth elsewhere in this pricing supplement. We cannot predict the future performance of the Underlyings or whether the performance of the Underlyings will result in the return of any of your investment.

· **ASSUMING NO CHANGES IN MARKET CONDITIONS AND OTHER RELEVANT FACTORS, THE PRICE YOU MAY RECEIVE FOR YOUR NOTES IN SECONDARY MARKET TRANSACTIONS WOULD GENERALLY BE LOWER THAN BOTH THE ISSUE PRICE AND THE ISSUER'S ESTIMATED VALUE OF THE NOTES ON THE TRADE DATE** — While the payment(s) on the notes described in this pricing supplement is based on the full Face Amount of notes, the Issuer's estimated value of the notes on the Trade Date (as disclosed on the cover of this pricing supplement) is less than the Issue Price of the notes. The Issuer's estimated value of the notes on the Trade Date does not represent the price at which we or any of our affiliates would be willing to purchase your notes in the secondary market at any time. Assuming no changes in market conditions or our creditworthiness and other relevant factors, the price, if any, at which we or our affiliates would be willing to purchase the notes from you in secondary market transactions, if at all, would generally be lower than both the Issue Price and the Issuer's estimated value of the notes on the Trade Date. Our purchase price, if any, in secondary market transactions would be based on the estimated value of the notes determined by reference to (i) the then-prevailing internal funding rate (adjusted by a spread) or another appropriate measure of our cost of funds and (ii) our pricing models at that time, less a bid spread determined after taking into account the size of the repurchase, the nature of the assets underlying the notes and then-prevailing market conditions. The price we report to financial reporting services and to distributors of our notes for use on customer account statements would generally be determined on the same basis. However, during the period of approximately six months beginning from the Trade Date, we or our affiliates may, in our sole discretion, increase the purchase price determined as described above by an amount equal to the declining differential between the Issue Price and the Issuer's estimated value of the notes on the Trade Date, prorated over such period on a straight-line basis, for transactions that are individually and in the aggregate of the expected size for ordinary secondary market repurchases.

In addition to the factors discussed above, the value of the notes and our purchase price in secondary market transactions after the Trade Date, if any, will vary based on many economic and market factors, including our creditworthiness, and cannot be predicted with accuracy. These changes may adversely affect the value of your notes, including the price you may receive in any secondary market transactions. Any sale prior to the Maturity Date could result in a substantial loss to you. The notes are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your notes to maturity.

- **THE NOTES WILL NOT BE LISTED AND THERE WILL LIKELY BE LIMITED LIQUIDITY** — The notes will not be listed on any securities exchange. There may be little or no secondary market for the notes. We or our affiliates intend to act as market makers for the notes but are not required to do so and may cease such market making activities at any time. Even if there is a secondary market, it may not provide enough liquidity to allow you to sell the notes when you wish to do so or at a price advantageous to you. Because we do not expect other dealers to make a secondary market for the notes, the price at which you may be able to sell your notes is likely to depend on the price, if any, at which we or our affiliates are willing to buy the notes. If, at any time, we or our affiliates do not act as market makers, it is likely that there would be little or no secondary market in the notes. If you have to sell your notes prior to maturity, you may not be able to do so or you may have to sell them at a substantial loss, even in cases where the prices of the Underlyings have increased since the Trade Date.

- **MANY ECONOMIC AND MARKET FACTORS WILL AFFECT THE VALUE OF THE NOTES** — While we expect that, generally, the prices of the Underlyings will affect the value of the notes more than any other single factor, the value of the notes prior to maturity will also be affected by a number of other factors that may either offset or magnify each other, including:

  - the expected volatility of the Underlyings;
  - the time remaining to the maturity of the notes;
  - the dividend rates of the Underlyings;
  - the real and anticipated results of operations of the issuers of the Underlyings;
  - actual or anticipated corporate reorganization events, such as mergers or takeovers, which may affect the Underlyings;
  - interest rates and yields in the markets generally;

- geopolitical conditions and economic, financial, political, regulatory or judicial events that affect either Underlying or the markets generally;
- supply and demand for the notes; and
- our creditworthiness, including actual or anticipated downgrades in our credit ratings.

During the term of the notes, it is possible that their value may decline significantly due to the factors described above even if the prices of the Underlyings remain unchanged from their respective Initial Prices, and any sale prior to the Maturity Date could result in a substantial loss to you. You must hold the notes to maturity to receive the stated payout from the Issuer.

- **TRADING AND OTHER TRANSACTIONS BY US, JPMORGAN CHASE & CO. OR OUR OR ITS AFFILIATES IN THE EQUITY AND EQUITY DERIVATIVE MARKETS MAY IMPAIR THE VALUE OF THE NOTES** — We or our affiliates expect to hedge our exposure from the notes by entering into equity and equity derivative transactions, such as over-the-counter options, futures or exchange-traded instruments. We, JPMorgan Chase & Co. or our or its affiliates may also engage in trading in instruments linked or related to the Underlyings on a regular basis as part of our or their general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers, including block transactions. Such trading and hedging activities may adversely affect the prices of one or both Underlyings and, therefore, make it less likely that you will receive a positive return on your investment in the notes. It is possible that we, JPMorgan Chase & Co. or our or its affiliates could receive substantial returns from these hedging and trading activities while the value of the notes declines. We, JPMorgan Chase & Co. or our or its affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to the

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Underlyings. To the extent that we, JPMorgan Chase & Co. or our or its affiliates serve as issuer, agent or underwriter for such securities or financial or derivative instruments, our, JPMorgan Chase & Co.'s or our or its affiliates' interests with respect to such products may be adverse to those of the holders of the notes. Introducing competing products into the marketplace in this manner could adversely affect the prices of one or both Underlyings and the value of the notes. Any of the foregoing activities described in this paragraph may reflect trading strategies that differ from, or are in direct opposition to, investors' trading and investment strategies related to the notes.

- **WE, JPMORGAN CHASE & CO. OR OUR OR ITS AFFILIATES MAY PUBLISH RESEARCH, EXPRESS OPINIONS OR PROVIDE RECOMMENDATIONS THAT ARE INCONSISTENT WITH INVESTING IN OR HOLDING THE NOTES. ANY SUCH RESEARCH, OPINIONS OR RECOMMENDATIONS COULD ADVERSELY AFFECT THE PRICES OF THE UNDERLYINGS AND THE VALUE OF THE NOTES** — We, JPMorgan Chase & Co. or our or its affiliates may publish research from time to time on financial markets and other matters that could adversely affect the prices of the Underlyings and the value of the notes, or express opinions or provide recommendations that are inconsistent with purchasing or holding the notes. Any research, opinions or recommendations expressed by us, JPMorgan Chase & Co. or our or its affiliates may not be consistent with each other and may be modified from time to time without notice. You should make your own independent investigation of the merits of investing in the notes and the Underlyings.

- **POTENTIAL CONFLICTS OF INTEREST** — We and our affiliates play a variety of roles in connection with the issuance of the notes, including acting as calculation agent, hedging our obligations under the notes and determining the Issuer's estimated value of the notes on the Trade Date and the price, if any, at which we or our affiliates would be willing to purchase the notes from you in secondary market transactions. In performing these roles, our economic interests and those of our affiliates are potentially adverse to your interests as an investor in the notes. The calculation agent will determine, among other things, all values, prices and levels required to be determined for the purposes of the notes on any relevant date or time. The calculation agent also has some discretion about certain adjustments to the Stock Adjustment Factors and will be responsible for determining whether a market disruption event has occurred as well as, in some circumstances, the prices or levels related to the Underlyings that affect whether the notes are automatically called. Any determination by the calculation agent could adversely affect the return on the notes.

- **THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES ARE UNCERTAIN** — There is no direct legal authority regarding the proper U.S. federal income tax treatment of the notes, and we do not plan to request a ruling from the IRS. Consequently, significant aspects of the tax treatment of the notes are uncertain, and the IRS or a court might not agree with the treatment of the notes as prepaid financial contracts that are not debt. If the IRS were successful in asserting an alternative treatment for the notes, the tax consequences of ownership and disposition of the notes could be materially and adversely affected. In addition, as described above under "Tax Consequences," in 2007 the U.S. Treasury Department and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. Any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the notes, possibly with retroactive effect. You should review carefully the section of the accompanying product supplement entitled "U.S. Federal Income Tax Consequences," and consult your tax adviser regarding the U.S. federal tax consequences of an investment in the notes (including possible alternative treatments and the issues presented by the 2007 notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Use of Proceeds and Hedging

Part of the net proceeds we receive from the sale of the notes will be used in connection with hedging our obligations under the notes through one or more of our affiliates. The hedging or trading activities of our affiliates on or prior to the Trade Date, the Review Date or an Averaging Date could adversely affect the price of one or both of the Underlyings and, as a result, could decrease the possibility of your notes being automatically called or the amount you may receive on the notes at maturity.

The Underlyings

All disclosures contained in this pricing supplement regarding the Underlyings are derived from publicly available information. Neither Deutsche Bank AG nor any of its affiliates has participated in the preparation of, or verified, such information about the Underlyings contained in this pricing supplement. You should make your own investigation into the Underlyings.

Included in the following section is a brief description of the issuer of each Underlying. We obtained the historical closing price information set forth below from Bloomberg L.P. and we have not participated in the preparation of, or verified, such information. You should not take the historical closing prices of the Underlyings as an indication of future performance. The Underlyings are registered under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). Companies with securities registered under the Exchange Act are required to file certain financial and other information specified by the SEC periodically. Information filed by the issuer of each Underlying with the SEC can be reviewed electronically through a web site maintained by the SEC. The address of the SEC's web site is.http://www.sec.gov. Information filed with the SEC by the issuer of each Underlying under the Exchange Act can be located by reference to its SEC file number provided below.

In addition, information filed with the SEC can be inspected and copied at the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of this material can also be obtained from the Public Reference Section, at prescribed rates.

The Goldman Sachs Group, Inc.

According to publicly available information, The Goldman Sachs Group, Inc. is an investment banking, securities and investment management firm that provides a range of financial services to corporations, financial institutions, governments and individuals. Information filed by The Goldman Sachs Group, Inc. with the SEC under the Exchange Act can be located by reference to its SEC file number: 001–14965, or its CIK code: 0000886982. The common stock of The Goldman Sachs Group, Inc. is traded on the New York Stock Exchange under the ticker symbol "GS."

Lowe's Companies, Inc.

According to publicly available information, Lowe's Companies, Inc. is a home improvement retailer that operates home improvement and hardware stores. Information filed by Lowe's Companies, Inc. with the SEC under the Exchange Act can be located by reference to its SEC file number: 001–07898 or its CIK code: 0000060667. The common stock of Lowe's Companies, Inc. is traded on the New York Stock Exchange under the ticker symbol "LOW."

Historical Information

The following graphs set forth the historical performances of the common stock of The Goldman Sachs Group, Inc. and the common stock of Lowe’s Companies, Inc. based on their respective daily closing prices from January 25, 2013 through January 25, 2018. The closing price of the common stock of The Goldman Sachs Group, Inc. on January 25, 2018 was $269.03. The closing price of the common stock of Lowe’s Companies, Inc. on January 25, 2018 was $106.38. Each graph below also indicates by a broken line the Trigger Price equal to 75.00% of the closing price of the relevant Underlying on January 25, 2018. We obtained the historical closing prices of the Underlyings below from Bloomberg L.P. and we have not participated in the preparation of, or verified, such information. **The historical closing prices of the Underlyings should not be taken as an indication of future performance and no assurance can be given as to the closing prices of the Underlyings on the Review Date or any Averaging Date. We cannot give you assurance that the performance of the Underlyings will result in the return of any of your investment.**

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Correlation of the Underlyings

The following graph sets forth the historical performances of the common stock of The Goldman Sachs Group, Inc. and the common stock of Lowe’s Companies, Inc. from January 25, 2013 through January 25, 2018, based on the daily closing prices of the Underlyings. For comparison purposes, each Underlying has been normalized to have a closing price of 100.00 on January 25, 2013 by (1) *dividing* the closing price of that Underlying on each day by the closing price of that Underlying on January 25, 2013 and (2) *multiplying* by 100.00.

We obtained the closing prices used to determine the normalized closing prices set forth below from Bloomberg, without verification. Historical performance of the Underlyings should not be taken as an indication of future performance. Future performance of the Underlyings may differ significantly from historical performance and no assurance can be given as to the closing prices of the Underlyings on the Review Date or any Averaging Date. We cannot give you assurance that the performances of the Underlyings will result in the return of any of your investment.

The closer the relationship of the daily returns of a pair of Underlyings over a given period, the more positively correlated those Underlyings are. The graph above illustrates the historical performance of each Underlying relative to the other Underlying over the time period shown and provides an indication of how close the relative performance of the daily returns of one Underlying has historically been to the other. For additional information, please see “Key Risks — Because The Notes Are Linked To The Lesser Performing Of The Two Underlyings, You Are Exposed To A Greater Risk Of Losing A Significant Portion Or All Of Your Investment Than If The Notes Were Linked To Just One Underlying” in this pricing supplement.

The lower (or more negative) the correlation between two Underlyings, the less likely it is that those Underlyings will move in the same direction and, therefore, the greater the potential that the Final Price of at least one of the Underlyings may be less than its Trigger Price. This is because the less positively correlated a pair of Underlyings are, the greater the likelihood that the price of at least one of the Underlyings will decrease. This results in a greater potential for a loss of a significant portion or all of your investment at maturity. However, even if two Underlyings have a higher positive correlation, the Final Price of one or both of those Underlyings may be less than its Trigger Price as the prices of both of those Underlyings may decrease together.

Deutsche Bank AG determined the Digital Return and call premium for the notes based, in part, on the correlation among the Underlyings, calculated using internal models at the time the terms of the notes were set. As discussed above, increased risk resulting from lower correlation is reflected in a higher Digital Return/call premium than would be payable on notes linked to underlyings that have a higher degree of correlation.

Supplemental Plan of Distribution

JPMorgan Chase Bank, N.A. and JPMS LLC or one of its affiliates will act as placement agents for the notes. The placement agents will receive a fee from the Issuer that will not exceed $12.50 per $1,000 Face Amount of notes, but will forgo any fees for sales to certain fiduciary accounts. See “Plan of Distribution (Conflicts of Interest)” in the accompanying product supplement.

Settlement

We expect to deliver the notes against payment for the notes on the Settlement Date indicated above, which is expected to be a day that is greater than two business days following the Trade Date. Under Rule 15c6–1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days, unless the parties to a trade expressly agree otherwise. Accordingly, if the Settlement Date is more than two business days after the Trade Date, purchasers who wish to transact in the notes more than two business days prior to the Settlement Date will be required to specify alternative settlement arrangements to prevent a failed settlement.